

Assessment

Theme 3: Fairness in Taxes
Lesson 3: Progressive Taxes

Part 1

Match the descriptions below to the correct terms found in the answer key. Write the letter of each term in the space provided.

Answer Key:

- A. progressive tax
- B. increases
- C. inheritance
- D. federal income tax
- E. higher

- _____ A progressive tax is a tax whose rate _____ as the amount being taxed increases.
- _____ This is a progressive tax that people pay the federal government on their income.
- _____ In a progressive tax system, the higher your income, the _____ the amount of tax you pay.
- _____ The progressive principle also may be used for this kind of taxes.
- _____ Many states use _____ to tax the income of their residents.

Part 2

Indicate whether each of the following statements below is True or False. Write your answer in the space provided.

1. A progressive tax takes a smaller share of income from low-income groups than from high-income groups. _____
2. Progressive taxes include fixed amounts of tax on each individual or household. _____
3. In the United States in 2001, tax rates on income ranged from 15 percent to 39.1 percent. _____

4. Inheritance taxes tend to be progressive because they take a smaller percentage from larger amounts of inheritance. _____
5. A person's tax bracket depends on that person's earnings. _____

Part 3

Answer the following multiple-choice questions. Write the letter of the response that best answers each question in the space provided.

- _____ 1. A progressive tax takes the largest percentage of income from which group?
A. middle-income
B. low-income
C. high-income
D. people with no income
- _____ 2. Which is not an example of a commonly used progressive tax?
A. an inheritance tax
B. a state drivers' license fee
C. the federal income tax
D. a state's income tax
- _____ 3. Why do federal income rates not go above 40 percent?
A. Such high rates could hurt our economy.
B. Some people would find it hard to stay in business.
C. Lower-income people would lose jobs as businesses closed.
D. All of the above.
- _____ 4. Which of the following is an example of a progressive tax?
A. Low-income pays 10%, middle-income pays 15%, and high-income pays 30%.
B. Low-income pays 15%, middle-income pays 15%, and high-income pays 15%.
C. Low-income pays 15%, middle-income pays 5%, and high-income pays 39.6%.
D. Low-income pays 10%, middle-income pays 5%, and high-income pays 3%.
- _____ 5. The United States uses a progressive income tax
A. because it raises a larger amount of money by taking more from high-income levels.
B. because it is most fair to all groups.
C. because it helps distribute the wealth.
D. All of the above.